



United Way of Kern County

FINANCIAL REPORT

JUNE 30, 2021

United Way of Kern County, Inc.

FINANCIAL REPORT

JUNE 30, 2021

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PATRICK W. PAGGI

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Directors
United Way of Kern County, Inc.
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of **United Way of Kern County, Inc.** which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Kern County, Inc.** as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Daniells Phillips Vaughan & Bock

Bakersfield, California

March 22, 2022

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,452,318	\$ 2,718,642
Unconditional promises to give, net of allowance for uncollectible promises 2021 \$0; 2020 \$109,549	-	119,437
Grants receivable	54,688	117,628
Investments (Notes 3 and 4)	243,169	238,892
Prepaid expenses	14,635	9,200
Total current assets	1,764,810	3,203,799
Property and Equipment		
Building improvements	4,931	4,931
Equipment	180,890	180,890
	185,821	185,821
Less accumulated depreciation	177,978	177,622
	7,843	8,199
Total assets	\$ 1,772,653	\$ 3,211,998
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 27,199	\$ 14,605
Accrued expenses	105,040	60,161
Grants payable	254,820	205,416
Deferred revenue	580,322	2,061,490
Total current liabilities	967,381	2,341,672
Long-term Debt (Note 5)	101,198	101,191
Commitment (Note 6)		
Net Assets Without Donor Restrictions	704,074	769,135
Total liabilities and net assets	\$ 1,772,653	\$ 3,211,998

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021	2020
Revenues and public support:		
Gross campaign results	\$ 303,938	\$ 594,933
(Less donor designations)	-	(95,147)
(Less provision for uncollectible)	5,533	(33,058)
Net campaign revenue	<u>309,471</u>	466,728
Grants and awards	2,810,027	2,399,896
Paycheck Protection Program loan forgiveness (Note 5)	101,191	-
Miscellaneous income	16,231	78,707
Realized and unrealized gain on investments	44,558	3,834
Special events	49,469	5,060
Total revenues and public support	<u>3,330,947</u>	<u>2,954,225</u>
Expenses:		
Program services		
Education	336,874	385,204
Financial stability	1,586,014	1,316,238
Homelessness	1,274,430	1,084,269
	<u>3,197,318</u>	<u>2,785,711</u>
Supporting services		
Management and general	88,306	48,519
Fundraising	110,384	88,640
Total supporting services	<u>198,690</u>	137,159
Total expenses	<u>3,396,008</u>	<u>2,922,870</u>
Change in net assets without donor restrictions	<u>(65,061)</u>	31,355
Net assets without donor restrictions, beginning	769,135	737,780
Net assets without donor restrictions, ending	<u>\$ 704,074</u>	<u>\$ 769,135</u>

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (65,061)	\$ 31,355
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	356	465
Paycheck Protection Program loan forgiveness	(101,191)	-
Net realized and unrealized (gain) on investments	(44,558)	(3,834)
Allowance for uncollectible promises to give	(109,549)	(75,137)
Changes in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	(5,435)	4,113
Grants receivable	62,940	(115,128)
Unconditional promises to give	228,986	147,066
Increase (decrease) in:		
Accounts payable and accrued expenses	57,473	18,750
Deferred revenue	(1,481,168)	387,060
Grants payable	49,404	205,416
Net cash provided by (used in) operating activities	(1,407,803)	600,126
Cash Flows From Investing Activities		
Proceeds from sale of investments	229,412	182,252
Purchase of investments	(189,131)	(195,546)
Net cash provided by (used in) investing activities	40,281	(13,294)
Cash Flows From Financing Activities		
Paycheck Protection Program loan proceeds -		
Net cash provided by financing activities	101,198	101,191
Net increase (decrease) in cash and cash equivalents	(1,266,324)	688,023
Cash and cash equivalents:		
Beginning	2,718,642	2,030,619
Ending	\$ 1,452,318	\$ 2,718,642

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services				Supporting Services			
	Education	Financial Stability	Homelessness	Total	Management and General	Fundraising	Total	Total
Program expenses	\$ 5,730	\$ 1,144,492	\$ 1,141,971	\$ 2,292,193	\$ -	\$ -	\$ -	\$ 2,292,193
Salaries and benefits	201,216	268,288	80,486	549,990	53,658	67,072	120,730	670,720
Equipment and building rent	32,785	43,713	13,114	89,612	8,743	10,928	19,671	109,283
Contract services	21,578	28,771	8,631	58,980	5,754	7,193	12,947	71,927
Supplies	14,287	19,049	5,715	39,051	3,810	4,762	8,572	47,623
Special events	9,638	12,851	3,855	26,344	2,570	3,213	5,783	32,127
Advertising and public relations	7,990	10,653	3,196	21,839	2,131	2,663	4,794	26,633
Professional fees	7,634	10,178	3,053	20,865	2,036	2,545	4,581	25,446
Repairs and maintenance	6,599	8,798	2,640	18,037	1,760	2,200	3,960	21,997
Telephone	6,422	8,562	2,569	17,553	1,712	2,141	3,853	21,406
United Way Worldwide dues	6,172	8,229	2,469	16,870	1,646	2,057	3,703	20,573
Miscellaneous	5,315	7,086	2,126	14,527	1,417	1,772	3,189	17,716
Printing and publications	4,763	6,350	1,905	13,018	1,270	1,588	2,858	15,876
Postage and shipping	2,559	3,412	1,024	6,995	682	853	1,535	8,530
Insurance	1,432	1,909	573	3,914	382	477	859	4,773
Transportation	824	1,098	330	2,252	220	275	495	2,747
Conferences and training	790	1,053	316	2,159	211	263	474	2,633
Dues and subscriptions	524	698	209	1,431	140	175	315	1,746
Bank fees	509	682	205	1,396	136	171	307	1,703
Subtotal	336,767	1,585,872	1,274,387	3,197,026	88,278	110,348	198,626	3,395,652
Depreciation	107	142	43	292	28	36	64	356
Total expenses	\$ 336,874	\$ 1,586,014	\$ 1,274,430	\$ 3,197,318	\$ 88,306	\$ 110,384	\$ 198,690	\$ 3,396,008

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services				Supporting Services			
	Education	Financial Stability	Homelessness	Total	Management and General	Fundraising	Total	Total
Program expenses	\$ 4,524	\$ 906,304	\$ 904,451	\$ 1,815,279	\$ -	\$ -	\$ -	\$ 1,815,279
Salaries and benefits	272,236	237,960	74,040	584,236	29,431	51,863	81,294	665,530
Contract services	17,464	61,874	50,953	130,291	4,312	5,394	9,706	139,997
Equipment and building rent	33,632	44,161	12,613	90,406	8,405	10,515	18,920	109,326
Special events	18,228	4,296	19,933	42,457	-	-	-	42,457
Supplies	1,912	5,360	1,967	9,239	329	7,843	8,172	17,411
Telephone	3,521	8,801	2,422	14,744	880	1,101	1,981	16,725
Professional fees	5,138	6,743	1,927	13,808	1,284	1,606	2,890	16,698
United Way Worldwide dues	4,885	6,411	1,832	13,128	1,221	1,527	2,748	15,876
Miscellaneous	1,126	7,544	909	9,579	240	5,543	5,783	15,362
Transportation	2,227	9,682	1,728	13,637	369	687	1,056	14,693
Conferences and training	7,068	4,055	1,187	12,310	462	578	1,040	13,350
Advertising and public relations	436	3,072	5,844	9,352	109	136	245	9,597
Printing and publications	1,325	3,335	2,607	7,267	243	304	547	7,814
Postage and shipping	6,814	505	105	7,424	66	82	148	7,572
Insurance	2,327	3,054	873	6,254	582	728	1,310	7,564
Repairs and maintenance	1,053	1,382	395	2,830	263	329	592	3,422
Bank fees	779	1,031	292	2,102	195	244	439	2,541
Dues and subscriptions	366	481	137	984	92	115	207	1,191
Subtotal	385,061	1,316,051	1,084,215	2,785,327	48,483	88,595	137,078	2,922,405
Depreciation	143	187	54	384	36	45	81	465
Total expenses	\$ 385,204	\$ 1,316,238	\$ 1,084,269	\$ 2,785,711	\$ 48,519	\$ 88,640	\$ 137,159	\$ 2,922,870

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Activities: United Way of Kern County, Inc. (the Organization) was incorporated on May 6, 1949 under the laws of the State of California as a not-for-profit corporation. The Organization's mission is to mobilize donors, advocates and volunteers to improve lives in Kern County. The Organization is supported primarily through contributions from individuals and companies within Kern County.

The Organization is governed by a local Board of Directors made up of volunteer Kern County residents.

The Organization's program activities include the following:

Financial Stability Initiative: The Organization acts as the lead organization for collaborative initiatives focused on improving the financial stability of low-income community residents. The Organization leads efforts to seek and administer grants and other resources on behalf of its partners. Services provided to the community include free income tax assistance through the VITA (Volunteer Income Tax Assistance) program; financial literacy education; credit counseling; incentivized savings programs; and personal asset-building.

Homelessness Initiative: In November 2019, a new entity was created under the name of Bakersfield-Kern Regional Homeless Collaborative which included the previous Kern County Homeless Collaborative in partnership with the City of Bakersfield and the County of Kern. The Organization holds a standing seat with the new Collaborative. The Organization is no longer the lead agency or fiscal sponsor for this new collaborative. The Organization will continue to serve as the administrative entity of the HEAP and CESH grants for the life of the grants.

Emergency Food and Shelter: The Organization serves as the administrative arm of the federal Emergency Food and Shelter Program (EFSP), which is funded by the Federal Emergency Management Agency (FEMA). In this role, the Organization supports the local EFSP Board in allocating more than \$2,300,000 in funding and oversees 12 local recipient organizations providing food, shelter, and assistance with rent/mortgage and utility payments.

Early Childhood Literacy and Development: The Organization works to improve health and school readiness among pre-school children by empowering parents and caregivers to be their children's first teachers. Programs include Raising A Reader, which provides book distributions to low-income preschools; BornLearning®, which provides parent education materials, books and resources to families of newborns and young children; and a Book-of-the-Month Club, which provides free children's books to more than 440 families each month. BornLearning® Trails have been installed in six local parks, providing educational activities for parents to engage in with their children as they enjoy time together at play.

Professional Development Conference for Nonprofits: For over 30 years, the Organization has presented an annual conference for nonprofit organizations targeted toward development of staff and organizational capacity building. Workshops and speakers provide education around such business functions as fund development, board and staff development, media relations, strategic planning, and managing risk.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Worldwide Pandemic: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date the Organization has experienced a decline in campaign dollars as well as losing the ability to hold the annual events and fundraising opportunities due to the pandemic. The Organization’s concentrations due to interactions within its programs to individuals in person have been affected by the pandemic. In addition, as it pertains to the VITA program, the state of California reallocated VITA funding to COVID-19 funding which impacted the Organization. These conditions make it reasonably possible that the Organization is vulnerable to the risk of a near-term severe impact.

Paycheck Protection Program loan forgiveness: Forgiveness of debt stems from funds received under the Paycheck Protection Program Loan.

A summary of significant accounting policies follows:

Basis of Accounting: The financial statements of the Organization are prepared using the accrual method of accounting.

Basis of Presentation: The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the governing board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations: The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities and interest and dividends earned on investments.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Support and Expenses: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

The Organization reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services, Goods and Facilities: A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not meet the requirements for recognition. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts, which, at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Provision for Uncollectible Promises: The provision for uncollectible accounts is computed based on a three-year historical average, applied to gross campaign, including donor designations. The provision for uncollectible accounts is reviewed and approved by the Organization's Finance Committee and Governing Board as part of the annual budgeting process.

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Not-for-Profit Entities topic which states investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Property and Equipment: Property and equipment is stated at cost with a capitalization policy of \$500 or greater. Depreciation of property and equipment is computed on the straight-line method over their estimated useful lives of 7-10 years.

Deferred Revenue: Cash received for grant projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received for specific projects and programs exceeds qualified expenditures.

Cost Allocations: Indirect and payroll costs are charged to functional expenses based upon time studies. Direct costs are charged to the appropriate functional area.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Cost Deductions: The Organization conforms to the United Way Worldwide Cost Deduction Standards. The Organization charges only actual expenses against a donor's pledge and does not deduct fundraising or processing fees from designated gifts originated by or from another United Way organization.

Income Taxes: The Organization is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Board codes. As a non-profit organization, the Organization is subject to unrelated business income tax (UBIT), if applicable. For the tax years ended June 30, 2021 and 2020, the Organization did not owe any UBIT.

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense totaled \$26,633 and \$9,597 for the years ended June 30, 2021 and 2020, respectively.

Authoritative Pronouncements Adopted: In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization adopted ASU 2018-13 effective July 1, 2020 and the adoption did not have a material impact on the financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An Organization is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Organization adopted ASU 2018-13 effective July 1, 2020 and the adoption did not have a material impact on the financial statements.

Authoritative Pronouncements Not Yet Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

A modified retrospective transition approach is required. An Organization may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Organization expects to adopt the guidance retrospectively at the beginning of the period of adoption, July 1, 2021, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Organization expects to elect the transition package of practical expedients permitted within the new standard, which among other things, allows the carryforward of the historical lease classification.

The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit Organization to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. The ASU is effective for the Organization on July 1, 2021. The Organization is currently evaluating the impact of this new guidance on its financial statements.

Subsequent Events: The Organization has evaluated subsequent events through March 22, 2022, the date on which the financial statements were available to be issued. A significant subsequent event is discussed at Note 5.

Note 2. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020 reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when they represent funds held for other agencies and net assets with donor restrictions.

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,452,318	\$ 2,718,642
Unconditional promises to give	-	119,437
Grants receivable	54,688	117,628
Investments	243,169	238,892
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,750,175</u>	<u>\$ 3,194,599</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Organization has a policy to maintain a Core Operating Reserve and an Investment Reserve Fund. The amount in the Core Reserve Fund is equal to three months of total budgeted operating expenses as designated in each years budget (approximately \$276,000). The remainder of excess funds are invested in the Investment Reserve Fund. The Core Reserve Fund invests in shorter term fixed income securities, while the Investment Reserve Fund can invest in a wider range of fixed income securities and equity investments.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments

Investments consist of the following as of June 30, 2021 and 2020:

	2021		2020	
	Fair Market Value	Unrealized Gain (Loss)	Fair Market Value	Unrealized Gain (Loss)
Mutual funds - equity portfolio	\$ 22,592	\$ (5,202)	\$ 20,928	\$ (6,108)
Exchange traded funds	148,532	89,288	109,575	58,244
Certificates of deposit	72,045	151	108,389	1,086
	<u>\$ 243,169</u>	<u>\$ 84,237</u>	<u>\$ 238,892</u>	<u>\$ 53,222</u>

Note 4. Fair Value Measurements

The Fair Value Measurements topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual and exchange traded funds held by the Organization are deemed to be actively traded.

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

All investments held by the Organization at June 30, 2021 and 2020 are considered to be level 1 assets.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term Debt and Subsequent Event

The Organization received two loans under the Paycheck Protection Program (the "Program"). The loans are forgivable if the Organization meets certain criteria established under the Program. The first loan, in the amount of \$101,191, received during fiscal year 2020 was forgiven by the Small Business Administration (SBA) on May 28, 2021; therefore, all related revenue has been recorded in the statements of activities. The second loan in the amount of \$101,198 was received on February 22, 2021. The Organization will seek loan forgiveness in fiscal year 2022. Any of the loan amount not forgiven under the program will be due in monthly installments, determined by the SBA, including interest at 1%, and matures February 25, 2026. The loan is unsecured and does not require personal guarantees. The loan was formally forgiven in November 2021 and will be included on the statement of activities for the year ending June 30, 2022.

Note 6. Commitment

The Organization leases its office under a noncancelable agreement which expired in February 2022 and converted to month-to-month. Required monthly lease payments are \$9,000 per month until terminated.

The total minimum rental commitment as of June 30, 2021 is \$72,000 due for the year ended June 30, 2022.

Total rent expense for the years ended June 30, 2021 and 2020 was \$109,283 and \$109,326, respectively.

Note 7. Concentration of Revenue

During the year ended June 30, 2021, the Organization received support in the amount of \$1,796,346 from two grantor agencies. During the year ended June 30, 2020, the Organization received support in the amount of \$1,344,263 from two grantor agencies.